

ARIZONA

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| Law | Sec. 28-1501, Chapter 9, Taxes |
| Definitions | <p>Use fuel: all gases and liquids used or suitable for use to propel motor vehicles, except those subject to motor vehicle fuel tax. [Sec. 28-1551.18] For the purposes of the imposition of the use fuel tax on natural gas if used to propel a motor vehicle, 1.25 therms of natural gas is equivalent to one gallon of motor vehicle fuel. [Sec. 28-1552.E]</p> <p>Alternative fuels: liquefied petroleum gas, compressed natural gas, hydrogen, alcohol fuels that contain not less than 85% alcohol by volume, electricity or solar energy. [Sec. 28-1122, 1128.01]</p> |
| Tax Rate | See Exemptions, below. |
| Gasohol | Not found. |
| Exemptions | Effective 4/1/97, alternative fuels and clean burning fuels are exempt from the use fuel tax. |
| Registration Requirements | Arizona requires registration of special classifications of vehicles powered by alternative fuels. Registration subject to annual license tax of \$4/\$100 value (1% of manufacturer's base retail price of vehicle, depreciated by 15% annually, but a minimum of \$5 per year). [Sec. 28-1591.04B] This special registration provision is scheduled to expire 12/31/98. |
| Income Taxes | Credits and deductions are available, and may be taken for the same vehicle but may not exceed the incremental cost of purchase. Credit of \$2000 is available for the purchase, lease, or conversion of a vehicle to sole alternative fuel use. Credit of \$1000 is also available for the purchase, lease or conversion of a vehicle equipped to operate on either conventional or alternative fuels, but not a mixture of both. Other credits may apply and are tied to emissions levels. If allowable credit exceeds income tax liability, carryover credit allowed up to 5 years. [Sec. 43-1174, -1174.01] A deduction is available of 25% or up to \$10,000 for the purchase of an alternatively fueled vehicle, \$5000 for the conversion of a vehicle to alternative fuel use only. Deductions must be taken over a 3-year period. [Sec. 43-1128.01] |

Property Tax

Motor vehicles are exempt from property tax if registered in Arizona.